Supplement to Offering Circular Dated April 11, 2001

tva electronotes[sm]

Tennessee Valley Authority Power Bonds
Due From One Year to Thirty Years From Date of Issue

The Offering Circular dated April 11, 2001 (the "Offering Circular"), relating to Tennessee Valley Authority's offering of its electronotes[sm], is hereby supplemented by the information contained in this Supplement. This Supplement supersedes the Supplement dated April 11, 2001. Unless otherwise defined, all capitalized terms in this Supplement shall have the same meanings as they have in the Offering Circular.

The Agents Are as Follows:

ABN AMRO Incorporated

Edward D. Jones & Co., L.P.

First Tennessee Bank N.A.

J.J.B. Hilliard, W.L. Lyons, Inc.

Merrill Lynch & Co.

Morgan Stanley Dean Witter

Prudential Securities

TVA

May 10, 2001

The condensed financial statements for TVA's power program for the six months ended March 31, 2001 and 2000, are unaudited, but in the opinion of management of TVA include all adjustments (consisting only of normal recurring adjustments) necessary for the fair presentation of results for such periods. You should read the following information together with the audited financial statements and notes thereto in the current Information Statement. Results for the six months ended March 31, 2001, and for past years are not necessarily indicative of future results.

Balance Sheets (unaudited)

ASSETS

	March 31 2001	September 30 2000
	(MILLIONS)	
Current assets		
Cash and cash equivalents	$ 12	$ 348
Accounts receivable	532	688
Inventories at average cost and other		
Fuel	128	141
Other	248	249
Total current assets	**920**	1,426
Property, plant, and equipment		
Completed plant	30,292	30,157
Less accumulated depreciation	(9,976)	(9,520)
Net completed plant	20,316	20,637
Construction in progress	1,065	793
Deferred nuclear generating units	6,328	6,325
Nuclear fuel and capital leases	521	559
Total property, plant, and equipment	**28,230**	28,314
Investment funds	**683**	840
Deferred charges and other assets		
Loans and other long-term receivables	161	144
Debt issue and reacquisition costs	1,303	1,302
Other deferred charges	1,008	1,155
Total deferred charges and other assets	**2,472**	2,601
Total assets	**$ 32,305**	$ 33,181

LIABILITIES & PROPRIETARY CAPITAL

	March 31 2001	September 30 2000
	(MILLIONS)	
Current liabilities		
Accounts payable	$ 462	$ 531
Accrued liabilities	183	200
Accrued interest	401	438
Short-term debt	1,694	1,274
Current maturities of long-term debt	1,100	2,350
Total current liabilities	**3,840**	4,793
Other liabilities	**2,441**	2,455
Long-term debt		
Public bonds—senior	21,758	21,261
Public bonds—subordinated	500	1,100
Unamortized discount and other	(590)	(608)
Total long-term debt	**21,668**	21,753
Proprietary capital		
Appropriation investment	518	528
Retained earnings	3,803	3,652
Accumulated other comprehensive income	35	—
Total proprietary capital	**4,356**	4,180
Total liabilities and proprietary capital	**$ 32,305**	$ 33,181

Statements of Cash Flows (unaudited)

	Three Months Ended March 31		Six Months Ended March 31	
	2001	2000	2001	2000
	(MILLIONS)		(MILLIONS)	
Cash flows from operating activities				
Net income	$ 122	$ 81	$ 169	$ 112
Net items not requiring cash	595	330	950	656
Other changes, net	152	57	(7)	(15)
Net cash provided by operations	**869**	468	**1,112**	753
Cash flows from investing activities				
Construction expenditures	(239)	(234)	(448)	(437)
Allowance for funds used during construction	14	13	27	25
Other, net	(22)	(41)	(51)	(121)
Net cash used in investing activities	**(247)**	(262)	**(472)**	(533)
Cash flows from financing activities				
Borrowings, net	(601)	(177)	(938)	(160)
Other	(24)	(28)	(38)	(161)
Net cash used in financing activities	**(625)**	(205)	**(976)**	(321)
Net change in cash and cash equivalents	**$ (3)**	$ 1	**$ (336)**	$ (101)

Statements of Income (unaudited)

	Three Months Ended March 31 2001	Three Months Ended March 31 2000	Six Months Ended March 31 2001	Six Months Ended March 31 2000
	(MILLIONS)		(MILLIONS)	
Operating revenues				
Sales of electricity				
Municipalities and cooperatives	$ 1,472	$ 1,360	$ 2,928	$ 2,638
Industries directly served	163	163	327	318
Federal agencies and other utilities	104	73	178	151
Other revenue	19	17	40	34
Total operating revenues	**1,758**	1,613	**3,473**	3,141
Operating expenses				
Fuel and purchased power	453	404	933	790
Operating and maintenance	365	331	726	636
Depreciation and amortization	559	295	886	589
Tax-equivalents	78	76	156	153
Total operating expenses	**1,455**	1,106	**2,701**	2,168
Operating income	**303**	507	**772**	973
Other income, net	233	2	239	5
Income before interest expense	**536**	509	**1,011**	978
Interest expense				
Interest on debt	406	419	826	849
Amortization of debt discount, issue, and reacquisition costs, net	22	22	43	42
Allowance for funds used during construction	(14)	(13)	(27)	(25)
Net interest expense	**414**	428	**842**	866
Net income	**$ 122**	$ 81	**$ 169**	$ 112

Results of Operations

TVA had net income of $122 million for the second quarter of 2001, an increase of $41 million from net income of $81 million for the second quarter of 2000. TVA's net income for the six months ended March 31, 2001, amounted to $169 million, an increase of $57 million from net income of $112 million for the same period last year.

Operating Revenues

Operating revenues for the three months ended March 31, 2001, were $1,758 million compared with $1,613 million for the same period last year. Fiscal year-to-date operating revenues were $3,473 million compared with $3,141 million for the same period last year. The $332 million increase was primarily due to an increase in energy sales of approximately 4.4 billion kWh (or 5.7 percent) primarily reflecting the record cold weather experienced during the winter of fiscal year 2001.

Operating Expenses

Operating expenses increased $349 million from $1,106 million for the three months ended March 31, 2000, to $1,455 million for the same period of 2001. Operating expenses for the six months ended March 31, 2001, were $2,701 million compared with $2,168 million for the same period last year. These increases were primarily due to a one-time charge in excess of $200 million for the acceleration of the amortization of regulatory assets in March 2001 and increased weather-related fuel and purchased power costs.

Other Income

The increases in net other income of $231 million and $234 million for the three months and six months ended March 31, 2001, respectively, as compared with the same periods of 2000, include the receipt of an amount in excess of $200 million under settlement of litigation involving a power purchase contract.

Interest Expense

Net interest expense declined $14 million and $24 million for the three months and six months ended March 31, 2001, respectively, as compared with the same periods of 2000. These reductions reflect lower average interest rates and a lower level of total outstanding debt during the first six months of fiscal year 2001.

Financial Position

Net cash provided by operations increased $401 million and $359 million for the three months and the six months ended March 31, 2001, respectively, as compared with the same periods of 2000. These increases primarily reflect the cash receipt of a litigation settlement (see Other Income on page 3), coupled with improved results of operations.

Cash flows used in financing activities increased $420 million and $655 million for the three months and six months ended March 31, 2001, respectively, as compared with the same periods of 2000. These changes reflect a reduction in net borrowings of $424 million and $778 million, respectively.

Other Matters

- As a result of the Department of Energy's ("DOE") failure to begin removing and disposing of spent nuclear fuel from commercial nuclear power plants by January 1, 1998, on April 26, 2001, TVA filed a breach of contract lawsuit against the United States in the Court of Federal Claims in Washington, D.C. As a result of DOE's breach, TVA will be required to spend over $120 million at the Browns Ferry and Sequoyah Nuclear Plants for additional spent fuel storage capacity. (The lawsuit did not include an amount for damages associated with the Watts Bar Nuclear Plant, because it has existing capacity to store spent fuel until 2018.) Previously, several other nuclear utilities had filed lawsuits to recover their damages, and the Federal Circuit Court of Appeals has held that DOE's failure to begin removing and disposing of spent nuclear fuel constitutes a breach of its contracts with the Nation's nuclear utilities.

- On May 3, 2001, Senators Frist and Thompson, both of Tennessee, introduced bill S. 821, which would amend the Tennessee Valley Authority Act primarily to increase the size of the TVA Board from three full-time members to nine part-time members. The nine Board members would be appointed by the President and would serve five-year, staggered terms.

- On April 30, 2001, the United States General Accounting Office issued a report concluding that, even though TVA's Bonds are not guaranteed by the United States, one of the primary reasons TVA's bonds are rated Aaa by Moody's Investors Service and AAA by Standard & Poor's is TVA's relationship with the United States government.

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May 10, 2001